

Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 TRSE-00 COME-00
CTME-00 LAB-04 STR-07 SIL-01 AGRE-00 CEA-01
CIAE-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
NSAE-00 NSC-05 PA-01 AID-05 SS-15 ITC-01 ICA-11
SP-02 SOE-02 OMB-01 DOE-15 /137 R

DRAFTED BY EB/OT/STA:J S SPIRO:CMS
APPROVED BY EB/OT/STA:J S SPIRO
EA/PRCM - S STANFIELD
TREASURY - W WARTHIN
COMMERCE - B ASCHER
CUSTOMS - W SLYNE
LABOR - J HESTER
STR - J WALSH

-----007076 132348Z /70

P 132151Z JUL 78
FM SECSTATE WASHDC
TO AMEMBASSY BRUSSELS PRIORITY
USMISSION GENEVA
AMCONSUL HONG KONG

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USEC---PLEASE PASS ASST. STR STEPHEN LANDE AND

E.O. 11652: N/A

TAGS: ETRD

SUBJECT: NON-RUBBER FOOTWEAR FROM HONG KONG

MINISTER MICHAEL SMITH
REF: GENEVA 10345

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1. WE ARE PLEASED THAT YOU HAD AN OPPORTUNITY TO MEET
INFORMALLY IN GENEVA WITH HKG NEGOTIATOR LAURIE MILLS TO
EXPLORE THE PROBLEM CAUSED BY THE SURGE OF NON-RUBBER
FOOTWEAR IMPORTS FROM HONG KONG.

2. THE INTERAGENCY COMMITTEE HAS CONSIDERED THE
ADVISABILITY AND FEASIBILITY OF THE CERTIFICATE OF ORIGIN

SYSTEM AS SUGGESTED IN REFTEL. REGARDING ADVISABILITY, THE FOLLOWING DIFFICULTIES WERE NOTED:

A) WE DO NOT HAVE A BREAKDOWN BETWEEN FOOTWEAR (1) MANUFACTURED ENTIRELY IN HONG KONG, (2) ASSEMBLED IN HONG KONG FROM IMPORTED COMPONENTS, OR (3) TRANSSHIPPED THROUGH HONG KONG. HOWEVER, THERE ARE INDICATIONS THAT THE PRODUCTION OF FOOTWEAR IN HONG KONG IS INCREASING. CONSEQUENTLY, WE DOUBT THAT A CERTIFICATE OF ORIGIN SYSTEM WILL BE ADEQUATE. A CERTIFICATE OF ORIGIN SYSTEM WOULD, BY ITSELF, MERELY INDICATE THE TREND OF SHIPMENTS OF FOOTWEAR PRODUCED IN HONG KONG.

B) IF THERE IS AN OMA WITH HONG KONG THE ISSUE OF ORIGIN BECOMES MOOT AS THERE WOULD BE A LIMITATION ON FOOTWEAR ORIGINATING IN HONG KONG PERMITTED ENTRY INTO THE U.S. THE HKG WOULD MOST LIKELY GIVE EXPORT VISAS TO FOOTWEAR SUBSTANTIALLY PRODUCED IN HONG KONG TO OBTAIN MAXIMUM VALUE ADDED UNDER IMPORT LIMITATIONS.

C) FOCUSING NEGOTIATIONS ON THE CERTIFICATE OF ORIGIN SYSTEM WOULD GIVE THE HKG THE IMPRESSION THAT OUR PROBLEM IS ONLY WITH TRANSSHIPMENT AND HONG KONG ASSEMBLY OF IMPORTED COMPONENTS, WHEREAS IT IS ACTUALLY WITH THE TOTALITY OF HONG KONG EXPORTS TO THE U.S. LIMITED OFFICIAL USE

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D) A CERTIFICATE OF ORIGIN APPROACH WOULD TEND TO REDUCE OUR FLEXIBILITY IN MANAGING THE FOOTWEAR IMPORT PROBLEM. IT WOULD ESTABLISH A PRECEDENT THAT WOULD MAKE IT MORE DIFFICULT FOR US TO NEGOTIATE OMAS WITH OTHER SUPPLIERS IF WE WERE TO DETERMINE THAT RESTRAINTS ON IMPORTS FROM OTHER SOURCES WERE REQUIRED IN THE FUTURE.

3. REGARDING FEASIBILITY, WE ARE LOOKING AT A BASIC ISSUE, WHICH IS THE QUESTION OF LEGAL AUTHORITY ON WHICH CUSTOMS WOULD DENY ENTRY OF FOOTWEAR LACKING A CERTIFICATE OF ORIGIN. TECHNICAL PROBLEMS NOTED WERE:

A) CRITERIA TO BE APPLIED BY THE HKG IN CERTIFYING THAT FOOTWEAR IS OR IS NOT A HONG KONG PRODUCT. IF ROC UPPERS ARE GLUED TO ROC BOTTOMS IN HONG KONG, WOULD THE RESULTING FOOTWEAR QUALIFY AS A PRODUCT OF HONG KONG?

B) WOULD HKG CERTIFICATE OF ORIGIN CRITERIA BE COMPATIBLE WITH U.S. CUSTOMS LAWS APPLYING TO THE DESIGNATION OF COUNTRY OF ORIGIN? UNITED STATES LAW WOULD PREVAIL.

C) WOULD HONG KONG CERTIFICATION BE MADE DIRECTLY ON THE USUAL CUSTOMS INVOICE OR WOULD IT REQUIRE A SEPARATE ADDITIONAL DOCUMENT ADDING TO CUSTOMS' ADMINISTRATIVE BURDEN?

D) WOULD HKG BE WILLING TO ENTER INTO AN AGREEMENT WHICH WOULD PERMIT CUSTOMS TO DENY ENTRY TO HONG KONG FOOTWEAR NOT ACCOMPANIED BY CERTIFICATE OF ORIGIN?

4. WHILE WE FORESEE SOME PROBLEMS THAT WE MIGHT NOT BE ABLE TO OVERCOME SHORT OF AN OMA, IT WOULD STILL BE USEFUL TO EXPLORE, ON A PURELY INFORMAL BASIS WITH MILLS, A

CERTIFICATE OF ORIGIN SYSTEM. WE UNDERSTAND THAT TEXTILE LIMITED OFFICIAL USE

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NEGOTIATOR MICHAEL SMITH, WHO WILL BE IN HONG KONG ON JULY 17, IS WILLING TO RAISE THE MATTER INFORMALLY. HE MIGHT ASK IF THE HKG COULD, UNDER THE SYSTEM, REPORT TO THE U.S. EACH WEEK ON THE QUANTITIES OF FOOTWEAR INVOLVED IN CERTIFICATES GRANTED AND DENIED. AT THE SAME TIME HE SHOULD MAKE CLEAR THAT, A) WE HAVE SERIOUS DOUBTS THAT A CERTIFICATE OF ORIGIN SYSTEM IS LIKELY TO SOLVE THE PROBLEM AND IS NO SUBSTITUTE FOR A REDUCTION IN THE RATE OF FOOTWEAR SHIPMENTS TO THE U.S., B) WE HAVE WITNESSED A SIGNIFICANT SURGE IN THE FIRST FIVE MONTHS WITH WHICH WE MUST DEAL, AND C) THE PRESIDENT HAS STATED THAT OTHER MEASURES WILL BE CONSIDERED SHOULD THE OMAS CEASE TO BE AN EFFECTIVE MEANS OF PROVIDING RELIEF. SMITH SHOULD ALSO INFORM MILLS THAT ON JULY 1, U.S. CUSTOMS BEGAN TO COUNT IMPORTS OF NON-RUBBER FOOTWEAR FROM HONG KONG ON A WEEKLY BASIS. CHRISTOPHER

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